

File

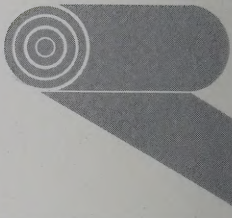
IVACO81

IVACO INC.
Annual Report 1981

Financial Highlights

Thousands of dollars except per share amounts

	1981	1980
Sales	\$718,266	621,855
Net earnings before extraordinary gain	\$ 25,242	28,308
Net earnings	\$ 28,353	28,308
Net earnings per common share		
Before extraordinary gain	\$ 2.29	2.73
After extraordinary gain	\$ 2.62	2.73
Working capital	\$111,795	129,855
Net additions to fixed assets	\$ 60,809	64,160



PAPER MACHINE CLOTHING

Each segment of paper machine clothing is engineered and manufactured for a specific paper machine and must meet extraordinarily rigid quality and reliability criteria. Your Company produces clothing for all positions on high speed paper machines and manufactures at five locations, two in Canada and three in the United States. It is one of the leading paper machine clothing suppliers in North America and exports worldwide.

ANNUAL MEETING

The annual meeting of the Company will be held on May 28th, 1982 at 10:00 a.m. in the Salon le Printemps, Four Seasons Hotel, Montréal, Québec.

Pour recevoir un exemplaire de la version française de ce rapport, veuillez écrire à Ivaco Inc. 800, rue Ouellette, Marieville (Québec), Canada J0L 1J0.

AR17



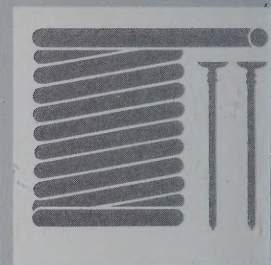
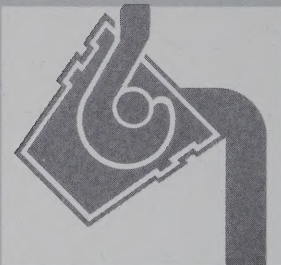
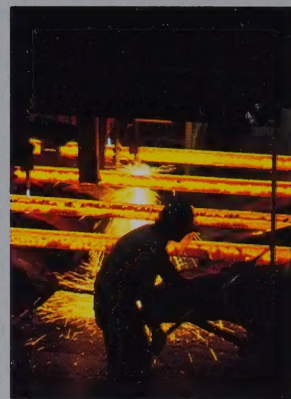
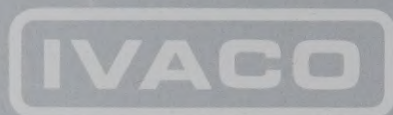
Address by

PAUL IVANIER, C.A.
President

IVACO INC.

To
The Annual Meeting of the Company
May 28, 1981

IVACO INC.
800 Ouellette St.
Mariville, Quebec
Canada J0L 1J0



STEELMAKING and ROLLING MILLS

The Company has three modern steelmaking and rolling mill operations; one in Ontario and two in Georgia. Annual steelmaking capacity is in excess of one million tons and rolling capacity exceeds 1.3 million tons. All three steelmaking operations use modern electric furnace technology and 100% continuous casting.

WIRE, WIRE PRODUCTS and NAILS

Wire, wire products and nails are manufactured in huge tonnages to supply thousands of individual industrial customers across the entire spectrum of North American business. Industries served include construction, agriculture, automotive and many other users including fence contractors and spring manufacturers. Ivaco has 15 plants making products for this group.

HEAD OFFICE

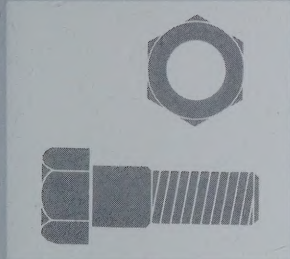
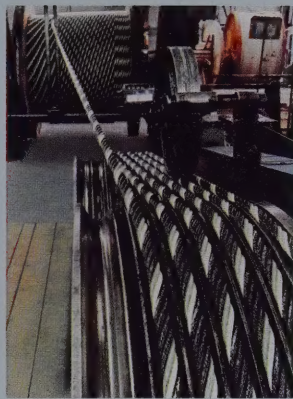
800, rue Ouellette, Marieville,
Québec, Canada J0L 1J0

TRANSFER AGENT AND REGISTRAR

The Royal Trust Company in Montréal,
Toronto, Calgary, Vancouver and Halifax

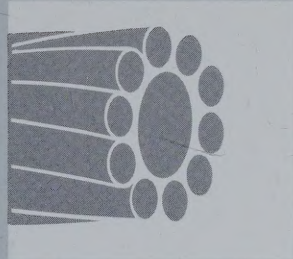
SHARES LISTED

Montréal Stock Exchange
Toronto Stock Exchange



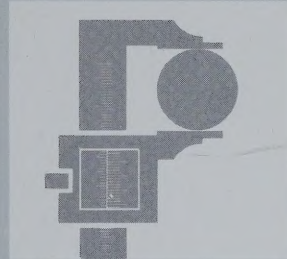
FASTENERS

Bolts and nuts are large tonnage products manufactured by your Company at three locations in Canada: Marieville, Québec, Mississauga and Ingersoll, Ontario. Ivaco is a major supplier to the automotive, heavy machinery, construction and manufacturing industries and is also a large exporter of fasteners.



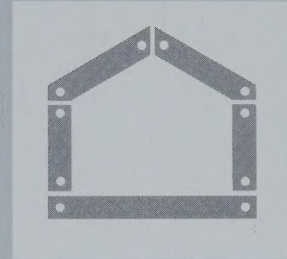
WIRE ROPES, CABLES and STRAND

High carbon wire products, including wire ropes, cables and strand are relatively new product additions to the Ivaco Group. Both Wrights Canadian Ropes of Vancouver, B.C. and Florida Wire and Cable of Jacksonville, Florida are leading suppliers. The products manufactured are used by the forestry, mining, petroleum exploration, and marine industries and in prestressed concrete structures.



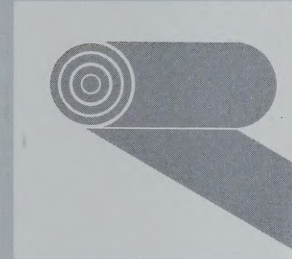
PRECISION MACHINED COMPONENTS, AXLES and FORGINGS

Precision machined components are made at Ingersoll, Ontario for the farm and industrial machinery, diesel engine, truck and similar industries. Other products include truck axles, including steering axles. Forging capacity is being increased substantially to fulfill a long term Government of Canada defence contract in addition to supplying parts for off-highway vehicles and other industrial uses.



PRE-ENGINEERED METAL BUILDINGS

Pre-engineered, pre-fabricated metal buildings form one of the fastest growing segments of the North American building industry and your Company produces these at Hannibal, Missouri, and Tallapoosa, Georgia. Pre-engineered metal buildings provide significant economies to owners of industrial, commercial, institutional, and agricultural structures. The Company's steel tube manufacturing is also located at Tallapoosa.



PAPER MACHINE CLOTHING

Each segment of paper machine clothing is engineered and manufactured for a specific paper machine and must meet extraordinarily rigid quality and reliability criteria. Your Company produces clothing for all positions on high speed paper machines and manufactures at five locations, two in Canada and three in the United States. It is one of the leading paper machine clothing suppliers in North America and exports worldwide.

Ladies and Gentlemen:

It is always a very great pleasure to welcome you to the Annual Meeting of your Company. It is a much appreciated opportunity for all of us to meet and chat with you about the growth and development of Ivaco.

As you have learned from the Annual Report, 1980 was an eventful year for Ivaco despite the downturn which occurred in the North American economy as well as in other parts of the world. Our sales reached a record \$622 million which we believe is not bad for a company which went public 12 years ago with sales of only \$11 million.

Naturally, the widespread recession had a dampening effect on margins with the result that net earnings were lower than those achieved in the record year of 1979. Although 1980 earnings were \$28 million — or \$2.73 per share, it was still the second best year in the Company's history.

Most steel producers in the United States faced severe hardship and restricted capital spending during the past year. However, Ivaco was in the fortunate position of being able to expand and complete projects which will provide significant benefits as the 80's unfold. The \$64 million spent on additions to fixed assets was timely and we expect to reap the benefits from this surge of expansion in years to come.

I would now like briefly to review with you some of the expansion highlights of the past year.

First, let's look at Atlantic Steel. Atlantic joined the Ivaco Group in August 1979 and from then on it was thrust into a very complex and comprehensive expansion and modernization program. Its new steelmaking and rolling mill complex at Cartersville, Georgia has been made even more productive than ever before. But the main expansion took place at Atlanta.

At that facility, there were several additions and improvements. The two major ones, of course, were the installation of a "no-twist" wire rod finishing mill, capable of producing wire rod at up to 20 thousand feet per minute, and completion and start-up of a split six-strand continuous caster. The expansion of the rod mill not only doubled wire rod production capacity to 290 thousand tons per year but also attained improvements in product quality never before achieved at Atlanta.

The new split six-strand continuous caster was also a significant improvement. It replaced the ingot pouring practice with the result that some 50 thousand tons of additional billets per year can now be produced from the same amount of gross scrap used under the old system. Also, energy, maintenance and labour costs have been reduced substantially. You will be interested to know that the payback is expected to be about three years.

When the new caster went on-stream, late in 1980, it made all of Ivaco's three steelmaking facilities 100% continuous cast. The combination of electric furnace steelmaking and continuous casting, is the latest technology in steelmaking. More and more of new steelmaking facilities are being built each year using this technology and older mills are also being converted. About 27% of North American steel is now produced in electric furnaces and this percentage is expected to continue to increase in years to come.

At each of our three steelmaking facilities, management has been continuously upgrading furnace performance at an enviable rate. Steelmaking is an industry where productivity and cost per ton are critical. It is in this area that your Company's innovative technology and superb operating team are an unbeatable combination.

Within just a few short years, Ivaco has become an important factor in steelmaking in North America. Today we are producing steel at a rate of 1.1 million tons per year and our steel mills have an annual rolling capacity in the range of 1.3 million tons.

However, Ivaco is far more than an efficient steelmaker. One of our greatest strengths lies in the fact that we are a successful, vertically integrated manufacturer of steel and steel products. The steelmaking and rolling mill facilities provide an assured supply of

metallurgically appropriate raw material and the finished product divisions in turn provide dependable downstream markets for our steel mills. The result of this combination is that all three Ivaco steel mills are running at full capacity while many steel producers around the world are facing cutbacks and layoffs.

As part of our 1980 record expansion program, wire drawing capacity was increased at three plants, new galvanizing facilities were expanded at three plants and modern and high performance nail machines were added at six plants. Also, welded wire fabric capacity was added at one plant and vinyl extrusion lines, to expand production of plastic coated fencing, also came on-stream.

Our expansion planning was not directed exclusively to the steelmaking and directly related downstream businesses. For example, Ingersoll Machine and Tool completed a new plant that is home to the enlarged facilities of the Precision Machined Components Group at Ingersoll, Ontario. Also, a long-term supply agreement with the Government of Canada was signed whereby Ingersoll Machine and Tool was named the Canadian Government's Preferred supplier of artillery projectiles for a period of 10 years. Sales generated from this agreement are expected to be very substantial.

Significant expansion also took place in the Niagara Lockport Group, which

manufactures clothing for the paper manufacturing industry. A major expansion took place at Starkville, Mississippi where your Company has one of the most technically advanced production operations in its industry anywhere in the world.

Another important expansion for this group took place at Warwick, Quebec where a new heavy duty weave loom and an additional needle loom were installed and brought into production.

Of course, no discussion of expansion would be complete without some information concerning spending plans for the current year. Total spending for internal expansion will be lower than last year but nevertheless significant. We are budgeting that our expenditures for internal expansion during 1981 will be around \$40 million.

I'll just list a few of the projects that are being undertaken.

- We're completing installation of water cooled panels and water cooled roofs on our electric furnaces at L'Orignal and water cooled roofs are being added at Atlanta. Once completed, all three Ivaco steelmaking facilities will have these cost saving installations in operation.
- The rod mill at L'Orignal is getting a major upgrading this year which will include changes to the intermediate and finishing mills. When completed, the rod mill will be spitting out rod at a faster clip than ever before.

- A new system for lime handling will be installed at L'Original.
- Our newly acquired Florida Wire and Cable will be substantially expanding its facilities.
- New nail machines and additions to packaging lines will be added at Marieville, Quebec.
- Major expansion for fastener products is being undertaken at Marieville and Ingersoll.
- At Galvano's Beloeil, Quebec plant a new facility will be built to house a new galvanizing line.
- Ingersoll Machine and Tool is adding additional numerical control machining capacity.
- Additional annealing capacity will be added at three plants.
- In the Paper Machine Clothing Group, large new looms are being installed at Warwick, Quebec and Starkville, Mississippi.

Ivaco has always grown from within and no effort is spared to expand our existing businesses whenever it is appropriate to do so.

We have always initiated and aggressively pursued acquisitions whenever the right opportunity arose. Four

new members joined the Ivaco group recently. They are:

- Wrights Canadian Ropes of Vancouver, B.C.
- Florida Wire and Cable of Jacksonville, Florida
- P.C. Drop Forgings of Port Colborne, Ontario
- Bakermet Inc. of Ottawa, Ontario

Wrights Canadian Ropes is a major producer of wire rope and cable on Canada's west coast. It enjoys a reputation for quality products and has been performing above expectation since its acquisition late last year. Wrights was more than just a product extension for Ivaco. It established, for the first time, Ivaco manufacturing facilities on the west coast.

As you probably noted in our recent release, Ivaco has purchased 80% of Florida Wire and Cable for U.S. \$12 million and the remaining 20% can be acquired according to a predetermined formula over five years.

The addition of Florida Wire and Cable has greatly enhanced our operation in the high carbon wire market. We believe that Florida Wire and Cable is the largest American producer of stress relieved and low relaxation wire and strand, which it supplies to the prestressed concrete industry. It also produces other wire products including wire for the manufacture of wire rope, high carbon galvanized wire,

including utility strand and twisted wire tendons, which are used in the construction of nuclear reactors and other large post-tensioned structures. Florida Wire and Cable is also a leader in technology in this very complex and specialized field.

P.C. Drop Forgings, which joined Ivaco recently, is an important part of the agreement reached between Ingersoll Machine and Tool and the Government of Canada for the supply of artillery projectiles. It will provide the necessary forging technology which will be required to fulfill the government contract. Forging capabilities are being expanded to meet the requirements of the supply agreement. The two forging lines being installed are the most modern and amongst the largest of their types in Canada.

Bakermat is a 50% owned Ottawa based scrap metal processor which supplies scrap metal to Ivaco's steelmaking facilities in Ontario. Its principal operation is the processing of auto hulks into small uniform pieces of metal called shredded auto scrap which is charged in our electric furnaces.

Another significant development was the increase in Ivaco's investment in Laclede Steel of St. Louis, Missouri, in October 1980, through the purchase of Laclede's newly issued shares. Your Company now has a 40% equity interest in Laclede and has nominated three members to Laclede's Board of Directors.

Laclede is an important producer of steel and steel products in the U.S. midwest with

annual capacity in excess of 800 thousand tons. I am pleased to report to you that Laclede's operating performance has improved considerably during the last quarter of 1980 and even more so during the first quarter of 1981 when they reported sales of U.S.\$68.8 million and net profits of U.S.\$2.7 million.

I believe it is now appropriate to look at where Ivaco is today and what the future holds for us.

The first quarter results, which were announced recently, indicate some slight improvement over the previous quarter. Sales held relatively steady at the levels achieved in the fourth quarter of 1980 and there has been a modest improvement in earnings from operations when compared with the fourth quarter of 1980.

Our three steelmaking complexes are presently producing at capacity. Most of our other plants are also producing at or near capacity.

Sales are expected to increase substantially in subsequent quarters and earnings are also expected to improve over the balance of the year. In spite of the first quarter results and barring any unforeseen circumstances, we are forecasting 1981 sales to be upwards of \$725 million. We also expect that 1981 earnings will exceed those achieved during 1980. The extent of this increase will depend largely on economic conditions prevailing in North America during the second half of this year.

From a financial point of view, your Company is in a strong position. In July of last year we issued our Series D preferred shares for a total of \$18 million, which improved the Company's capital base. Our working capital is now \$131.5 million, shareholders' equity is \$195 million and total assets are in excess of \$600 million.

For many years Atlantic Steel has been using the slogan . . . "We've got what it takes". I feel this slogan to be even more appropriate to the Ivaco Group as a whole. I will try to explain to you why I feel this way. We have modern facilities, efficient production lines, dedicated and hard working people and a very diversified steel and steel products line. Steel production in the United States is now running at about 87% of capacity. This level of production should increase substantially as the economy returns to a more normal level. As this occurs price discounting should disappear and enable steel producers like Ivaco to recoup their increased costs. Ivaco certainly has the plants to fill the expected increase in demand for our products — after all, "We've got what it takes".

1979 was a normal but busy year for Ivaco during which our net earnings jumped to \$42.7 million. In order to realize the earnings potential of Ivaco, during normal economic times, one need only add to our 1979 profit levels, the effect that the acquisitions and expansions which we made since then will have on future profits.

The results will clearly reveal that Ivaco has a tremendous earnings potential which is substantially higher than one would realize.

At last year's annual meeting, I took the unusual step of predicting that, before the end of the Eighties, Ivaco would have annual sales in excess of \$2 billion and net earnings in the area of \$175 million. Because of the facts that I have just outlined I am convinced that we are well on the way toward achieving these goals.

Thank you for your attention and if you have any questions, please feel free to ask them now.

AR17

IVACO INC.
800 Ouellette St.
Marieville, Quebec
Canada J0L 1J0

Officers
Letter to Shareholders
Directors
Introduction to the Ivaco Group
Steelmaking and Rolling Mills
Wire, Wire Products and Nails
Fasteners
Wire Ropes, Cables and Strand
Precision Machined Components, Axles and For
Pre-engineered Metal Buildings
Paper Machine Clothing
Florida Wire and Cable
P.C. Drop Forgings
Financial Statements
Auditors' Report
Financial Summary
Organization Chart
Directory of Operations

Officers

Isin Ivanier
Chairman

Paul Ivanier
President

Sydney Ivanier
Senior Vice-President

Michael Herling
Senior Vice-President
and Secretary

Jack Klein
Senior Vice-President

John Loveridge
Vice-President

M. R. Cairns
Vice-President

Albert A. Kassab
Vice-President

To our Shareholders

April 6, 1982

1981 was a good year in terms of sales and earnings, and a year in which substantial progress was made refining and consolidating your Company's earning power for the future.

The 1981 results in brief were:

- Sales were a record \$718.3 million
- Net earnings were \$28.4 million
- Net earnings per share were \$2.62
- Working capital was \$111.8 million at year end
- Net additions to fixed assets were \$60.8 million.

Net earnings and net earnings per share include an extraordinary gain of \$3.1 million or 33 cents per share. This gain resulted from the expropriation of a small parcel of land at Atlanta, Georgia. The expropriated property, which is being used for the construction of a highway interchange at the edge of the Atlantic Steel complex, will not have any effect on their operations.

The reduction of working capital from \$129.9 million in 1980 to \$111.8 million in 1981 reflects the desire of your Company's management to avoid incurring long term debt during this period of exceptionally high interest rates. Accordingly, \$40.8 million of the \$60.8 million spent in 1981 for net additions to fixed assets was financed from working capital.

Capital spending in 1981 remained on a large scale and was concentrated on improving productivity and expanding capacity to produce. Some of these expansions are:

- A new water cooling system was installed at Atlanta and run-in was successfully concluded for the new six strand continuous caster and high speed "no-twist" rod mill.
- An expanded dust collector system was completed at Cartersville, Georgia, to accommodate shorter melt cycles, and pouring reels were installed to produce coiled bar products which opens new markets for the Company.
- Expansion of air pollution control equipment, new lime and materials handling capacity, and completion of installation of water cooled panels and roofs on the electric furnaces at L'Orignal, Ontario. These improvements will help shorten steelmaking cycles. Additionally, a new intermediate mill is being installed and the "no-twist" finishing mill is being significantly speeded up. Completion is expected within the next year.



Isin Ivanier
Chairman



Paul Ivanier
President

- High speed wire drawing machines were installed at Atlanta, Georgia and Warrenton, Virginia, and a new packaging line for nails was completed at Marieville, Québec. Also preparation of facilities to produce collated nails was underway at Warrenton.
- Installation of a high performance strand galvanizing line was completed at Baltimore, Maryland.
- Work was begun on a large scale hot nut forming facility at Marieville, Québec, which will be completed this year, and building expansions for fastener production were underway at both the Marieville and Ingersoll plants. Also, expansion of heat treating capacity and fastener packaging was started at Ingersoll.
- A new hot dip galvanizing line and a building addition to house this line were started at Beloeil, Québec. Completion is scheduled for the second quarter of this year.
- An expansion program stretching through 1981-82 at Florida Wire and Cable will result in additional wire drawing and stranding capacity.
- Construction has begun on a new building and capacity will be increased for the production of wire ropes at Vancouver, B.C. This equipment will produce ropes in diameters larger than those previously produced by your Company.
- New looms are being installed in the paper machine clothing group at Starkville, Mississippi; Quincy, Florida; and Warwick, Québec.

All of the Company's steelmaking capacity is based on modern electric furnace technology and 100% continuous casting, both of which impact beneficially on cost per ton. In addition, Ivaco steelmaking plants are engineered for some of the shortest melt cycles in the industry and the result is highly favorable rates of production relative to rated capacity.

A very important aspect of Ivaco's steel products operation is the extent of integration from billet to finished product. This vertical integration provides two extremely significant benefits. One obvious one is the in-house consumption of a large portion of the production of the steelmaking and rolling mill complexes. This makes it possible to maintain high levels of activity in these capital intensive facilities during periods of reduced market demand. A second, and equally important benefit, is the availability within the Company to achieve rapid delivery of raw materials, particularly those requiring special metallurgical qualities.

Another aspect of your Company is the successful development of its long term strategy to broaden product lines into the most logical areas of extension. Excellent progress was achieved on this front last year through three acquisitions.

Wrights Canadian Ropes of Vancouver, B.C. was acquired in December 1980, P.C. Drop Forgings was acquired in the first quarter of 1981 and 80% of Florida Wire and Cable of Jacksonville, Florida was acquired in the second quarter. Each of these new additions has integrated extremely successfully into the Ivaco Group. The move into high carbon wire products through the manufacture of wire ropes, cables and prestressed strand has proved beneficial and has helped to diversify the wire product lines. Also, the expansion into forged products was a move which achieved substantial integration in the precision machined components, axles and forgings group. Expansions are underway at each of these companies and they are all performing beyond expectation.

Your Company concluded an agreement with the Government of Canada during February 1981 to become its preferred source of supply for all large calibre ammunition projectiles. The agreement, which is for a period of at least 10 years, will result in orders in excess of \$150 million. As a result of the agreement we recently expanded and started operation of the new machining facility for large calibre projectiles at Ingersoll Machine and Tool. Also, an expansion is underway at P.C. Drop Forgings to produce forgings for large calibre projectiles and completion is expected during the last quarter of this year. Production of projectiles is presently running at capacity and an expansion to triple the machining capacity for 155mm projectiles has been authorized to meet the increased demand. This also means that the full labor content associated with the Canadian commitment to NATO for these projectiles will be kept in Canada.

There is general agreement in the business community that the economic outlook for 1982 is not favorable and difficult conditions are expected to continue, at least until the second half of the year. The recession in North America has deepened noticeably in recent months and has further depressed margins to extremely low levels.

The reduction in demand caused by the recession is not the only problem to beset Ivaco and other North American steelmakers during 1981 and so far in 1982. The steel industry is also coping with increasing costs and lower priced imports from countries that until recently were importing the same products themselves. This combination of cost increases and margin erosion resulted in maintenance of severe pressure on steel, wire and wire rod producers, particularly in the U.S.

This situation persisted during the first quarter and in February 1982 Atlantic Steel, a subsidiary company, in conjunction with other major American producers of wire rod, filed dumping and countervailing complaints against six foreign countries. In March of this year the United

States International Trade Commission determined by an overwhelming margin that there is reasonable indication that imports of wire rods from Brazil, Belgium, France and Venezuela are causing or threatening injury to American industry. Each of these cases will go to the Commerce Department who will make a preliminary determination as to the extent of subsidies that the Brazilian, Belgian and French producers and exporters are receiving and the size of the margin by which Venezuelan wire rod is being dumped. The Department of Commerce is already considering whether wire rod from Argentina and South Africa is being subsidized as alleged in the complaints. If subsidies are found, countervailing duties will be assessed without the requirement of a determination of injury caused by these imports. We are hopeful that a speedy and just outcome of these cases will enable us to return to acceptable market conditions for wire rod and related products.

Notwithstanding the general weakness of the economy, your Company is doing everything possible to maintain its plants at near full production so as to maintain the highest possible levels of employment, achieve the optimum benefit from economies of scale, and increase its market share.

When the economic recovery occurs, your Company will be favorably positioned to increase earnings substantially. Its plants are among the most modern within each of their respective industries and market share has been increased in almost every market served.

Your Company has a 40% interest in the Laclede Steel Company of St. Louis, Missouri. Laclede's operations improved substantially during the year and although 1982 will prove to be a very difficult year for U.S. steelmakers, we expect Laclede to do extremely well when market conditions return to normal.

At this year's annual meeting the shareholders will be asked to approve the change of the head office location from Marieville, Québec to Montréal. The new offices will be located at Place Mercantile and will house about 40 executive and corporate staff and will bring them into closer contact with the business community.

Finally, we would like to express our appreciation to the Company's 7,000 employees and to its many customers and suppliers for their continued loyalty.

On behalf of the Board of Directors,

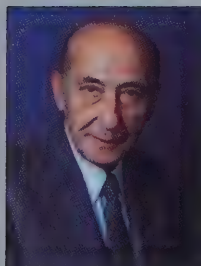


Isin Ivanier
Chairman



Paul Ivanier
President

Board of Directors



Isin Ivanier
Chairman of the
Company



Paul Ivanier
President of the
Company



Sydney Ivanier
Senior
Vice-President of
the Company



Michael Herling
Senior
Vice-President and
Secretary of the
Company



Jack Klein
Senior
Vice-President of
the Company



John Loveridge
President,
Ingersoll Machine
and Tool Company,
Limited



Edward J. Buell
Chairman,
Niagara Lockport
Industries Inc.



Alan S. Gordon
Consultant,
Merrill Lynch, Royal
Securities Limited



H. B. McNally, Q.C.
Partner,
Byers Casgrain

Introduction to the IVACO GROUP

Ivaco is an integrated steel producer which manufactures a broad range of both low carbon and high carbon steel products. It also manufactures precision machined components, axles, forgings, pre-engineered metal buildings and is one of North America's top producers of paper machine clothing for the paper making industry.

As the accompanying charts indicate, the Company has significant asset and market positions in both Canada and the United States. It is highly integrated, particularly in steel products, and it is a productivity leader in each of its significant areas of activity.

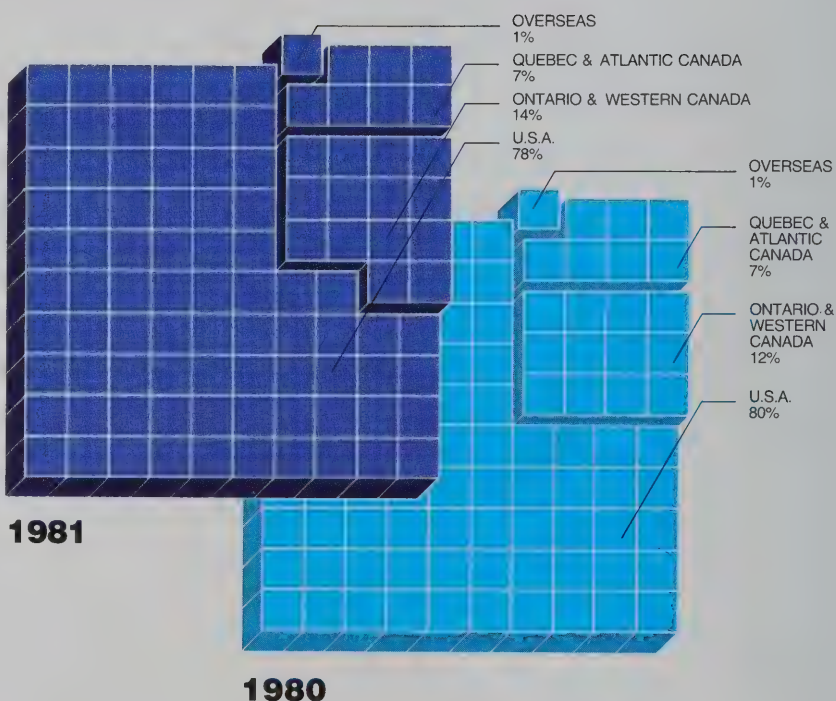
Major emphasis is placed on growth, both through the process of internal expansion and through acquisition. During the past five years \$206 million was spent on net additions to fixed assets, excluding amounts spent by acquired companies prior to their respective dates of acquisition.

The 13 year financial summary which appears on pages 36 and 37, covering the Company's entire history since becoming public, shows sales growth from \$11 million in 1969 to \$718.3 million in 1981.

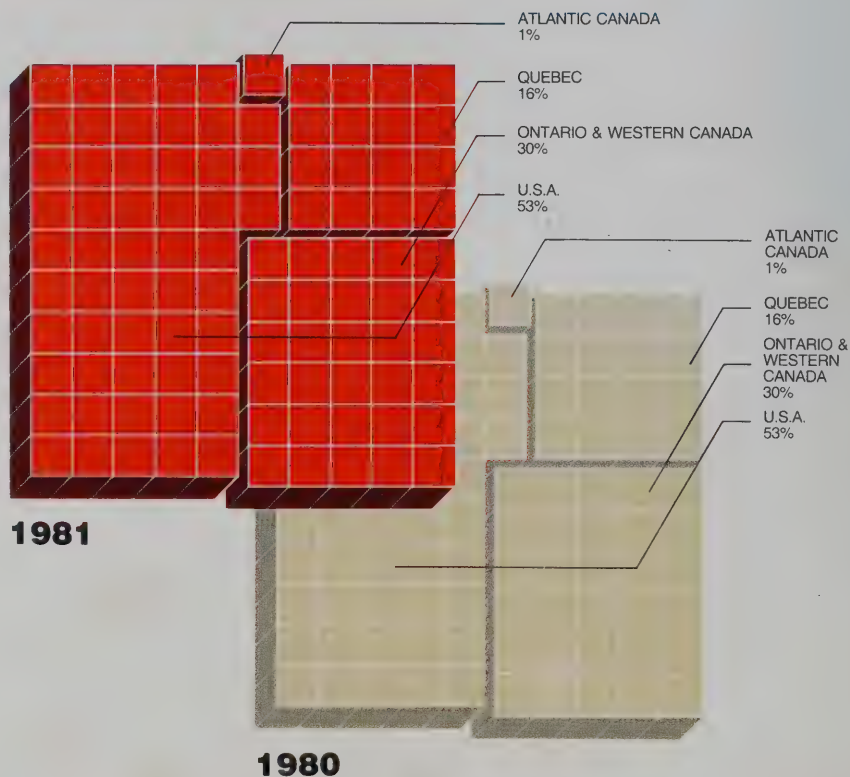
The organization of the Ivaco Group falls into seven components. These are:

- Steelmaking and rolling mills
- Wire, wire products and nails
- Fasteners
- Wire ropes, cables and strand
- Precision machined components, axles and forgings
- Pre-engineered metal buildings
- Paper machine clothing.

Sales Distribution



Fixed Asset Distribution



The Company has 36 plants. Twenty are in the United States and 16 are in Canada. The plants are strategically located relative to both raw materials and markets.

In the past 18 months, the Company has expanded and substantially upgraded its capacity to produce high quality wire rod to meet the growing needs of wire product manufacturing within the Ivaco Group and for outside customers. This is a very significant development as wire rod is one of the most important and basic raw materials used in huge quantities by North American industry. It is the essential starting point for wire drawing and manufacturing of fence, welded wire fabric, nails, fasteners and thousands of standard products ranging from upholstery springs to concrete reinforcing.

In the technologically demanding field of paper machine clothing, your Company is one of the leaders in research, manufacturing and service. It supplies clothing to every position on paper machines. Its manufacturing facilities are among the most modern and efficient in the world, and its products meet the most stringent reliability tests known. Paper machine clothing remains an important product for your Company.

Despite Ivaco's rapid growth during the past 13 years, there is ample room for continued growth in the future. The market segments into which most products are sold are so huge, and the geographic areas not yet penetrated are so extensive, that — as was noted in last year's annual report — the surface has hardly been scratched.

The following section provides a review of each of the seven main operating activities within the Company, along with brief introductions to the two newly acquired operations, Florida Wire and Cable and P.C. Drop Forgings.

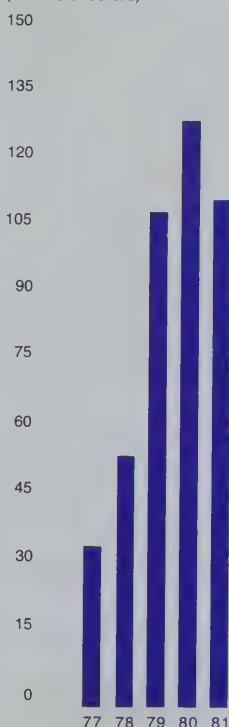
Sales

(millions of dollars)



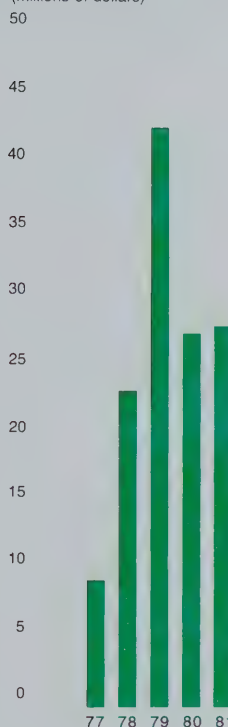
Working Capital

(millions of dollars)



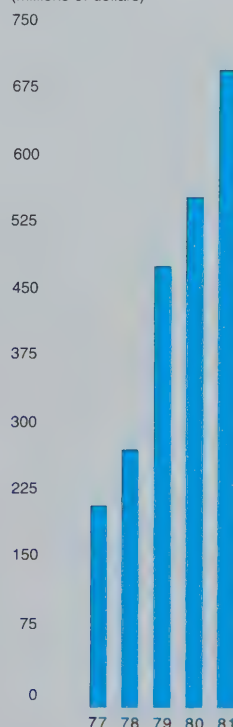
Net Earnings

(millions of dollars)



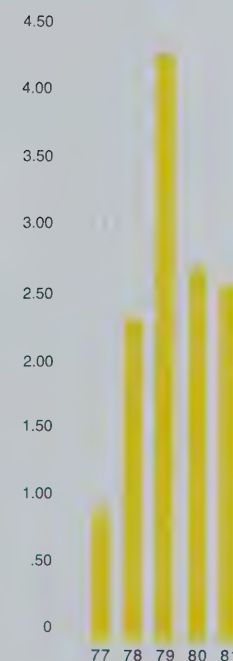
Total Assets

(millions of dollars)



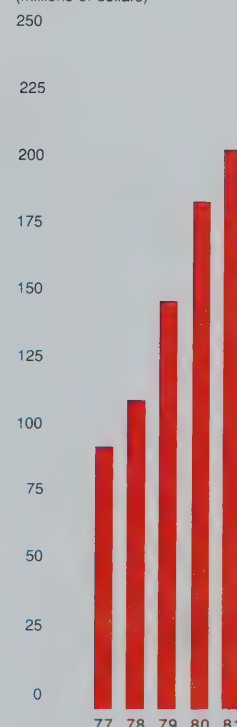
Net Earnings per Share

\$5.00



Shareholders' Equity

(millions of dollars)





Steelmaking and Rolling Mills

All three of your Company's steelmaking and rolling mill complexes achieved significant productivity, product quality, and implemented cost efficiency improvements during 1981. They also increased their leadership positions and maintained high levels of production. Steelmaking capacity is now in excess of one million tons per year while bar and rod rolling capacity exceeds 1.3 million tons.

All three strategically placed complexes are based on modern electric furnace technology and 100% continuous casting. Electric furnace technology has grown in recent years to account for more than 25% of North American steel production.

The steelmaking complex at L'Original, Ontario received significant upgrading during the year through expansion of air pollution control equipment, upgrading of lime and material handling facilities, and completion of work begun during 1980 for the installation of water cooled roofs and panels for the electric steelmaking furnaces. All of these projects contribute to productivity by decreasing charging periods resulting in shorter time cycles for steelmaking heats and improved refractory life thus boosting rated capacity and achieving cost reductions.

Billets produced at L'Original are cast specifically for the adjoining rolling mill which is dedicated to the production of high quality wire rods.

During the year just past, work was well advanced which will permit higher rolling speeds in the "no-twist" finishing mill. The completely redesigned intermediate and pre-finishing sections were installed by year end. This newest concept in high speed rolling allows tension-free rolling which is an essential ingredient in producing wire rod of sound surface integrity. The balance of this productivity-oriented improvement will be completed over the next year.

The two steelmaking and rolling mill facilities at Georgia also made major gains in productivity during the year. Among the significant new projects at Cartersville were an expanded dust collector system, which was necessitated as a result of higher production levels achieved from a decrease in melt cycles, and completion of installation of pouring reels in the bar mill. The pouring reels make it possible to ship some sizes of rebars and smooth round bars, in both merchant bar and special bar quality, as large compacted coils. This is an added feature to the previous capability of providing these products in only straight lengths.

At Atlanta, the scrap stocking operation was improved by the addition of a new locomotive crane equipped with automatic weighing of scrap buckets. Water cooled roofs were installed at both electric furnaces, and with the water cooled panels which were added earlier, significant reduction in cycle time for steelmaking and improved refractory costs have been achieved. A complete new cooling water system has been constructed and is in operation for both the rod mill and the 13" bar mill. Billets for both of these mills are handled more efficiently with a new electric overhead crane using magnets which eliminates manual handling. Extensive improvements and modifications were made to the rod mill rehear furnace, thereby improving reliability and capacity.

The addition of continuous casting of billets and the doubling of wire rod rolling capacity have had a profoundly beneficial impact on the Atlanta complex. The switch to continuous casting resulted in both reduction of yield loss and increased cost efficiency for billet production, while increased rod production capability to some 250,000 tons per year has provided product for development of long term markets.



TOP:
Tapping the furnace.

RIGHT:
Continuous cast billets are automatically cut to length.





Wire, Wire Products and Nails

The production of wire, welded wire fabric, fencing and nails accounts for the consumption of a significant portion of your Company's wire rod production each year.

The range of products manufactured includes a multitude of grades and sizes of wire, galvanized strand, oil-tempered spring wire, welded wire fabric, barbed wire, chain link and woven fencing in galvanized and plastic coated finishes, and a wide variety of nails.

Market conditions in 1981 were soft in some areas, particularly those dependent on housing and other construction activities. While this resulted in considerable adverse pressure on margins, specially noticeable in the U.S. market, these circumstances did have some positive aspects. Aggressive selling under these difficult conditions has helped the Company achieve increased market share and, at the same time, has provided opportunity for the planning of expansion and modernization programs.

The expansion included the creation of new fence product wholesale operations with permanent sales facilities at Buffalo, New York; Greenville, South Carolina; Pompano and Tampa, Florida; addition of two new high speed wire drawing machines and new annealing capacity at Atlanta; completion of a major new strand galvanizing capacity at Baltimore; expanded wire drawing facilities at Warrenton, Virginia; installation of a new annealing furnace and completion of planning for an additional furnace in 1982 at Ingersoll, Ontario; and completion of a new packaging line for nails at Mariville, Québec.

The manufacture of precision, machine quality nails has become an important part of the product line in Canada and the U.S. Your Company's latest development in this growing market has been to secure distribution rights for the Air Nail and Hitachi line of air powered nailing tools. Nail collation equipment, which will bind nails into continuous plastic coils or strips, is being installed at Warrenton, Virginia to supply the U.S. market with nails for these units. These collated nails are consumed in large quantities in various industries including pallet and crate manufacturing, prefabricated housing and job site construction.

North American wire and wire product markets represent enormous potential for growth when the pace of economic activity returns to normal.



TOP:
*Nails coming off a
production line.*

RIGHT:
*Automated production of
welded wire fabric.*





Fasteners

Your Company's fastener manufacturing operations are located in three Canadian centers, all strategically located to supply both the North American and overseas markets. The three plants are at Marievalle, Québec, Mississauga and Ingersoll, Ontario.

Expansion and modernization of production capacity has been a routine aspect of fastener operations each year for more than a decade. Major expansion activities were underway at the Marievalle and Ingersoll plants during the year and these have continued into the current year. In fact, the fastener group was among the top three company operations in terms of capital spending last year.

Large scale expansion and modernization of equipment to manufacture both internally and externally threaded fasteners commenced at Marievalle and will continue throughout 1982. The Company is now in the unique position of being able to produce cold forged fasteners as long as 15" in $\frac{3}{8}$ " to $\frac{3}{4}$ " diameters and in diameters as large as 1 $\frac{1}{2}$ " by 10" long. The closer tolerances and superior appearance of these cold formed bolts in long lengths and large diameters provide an advantage over hot forged fasteners currently available in the marketplace.

The fastener plant at Ingersoll is currently completing a building addition begun in 1981. Other additions and improvements include light and heavy boltmaking equipment, a heat treating line and a new packaging line.

Also, the Mississauga fastener plant is adding a whole range of all-metal type prevailing torque locknut products to its successful serrated flange nut line.

The fastener group carries operational responsibilities for the activities of Galvano at Beloeil, Québec, which electro-galvanizes both fasteners and nails. During 1981, Galvano began construction of a large plant addition to accommodate an automated hot dip galvanizing line.

The demand for high quality standards and product traceability provides a welcome competitive opportunity to the Company's fastener group. This is achieved through access to steel and sophisticated metallurgical resources at Ivaco's own steelmaking and rolling mill facilities. Stringent quality control continues through the various stages of wire rod processing and fastener production, including the most modern facilities for heat treating and plating.

The market for fasteners remained good in 1981. While there was softening in the automotive and heavy machinery sections, nonetheless these remained steady consumers. Heavy construction activity remained high in a number of areas served by the fastener group.

Your Company has always followed a policy of maintaining adequate levels of inventories of fasteners in order to provide the advantage of speedy response to customer demand. The current level of high interest rates has tended to make this a more important marketing approach than ever before. At present, customers' inventories are generally low with the result that your Company can ship immediately from inventory and enjoy a competitive advantage.



*TOP:
One of thousands of
fastener products.*

*RIGHT:
Hot nut forming at high
speed.*





Wire Ropes, Cables and Strand

High carbon wire products are taking a more prominent position in your Company's product line through the manufacture of wire ropes, cables and prestressed strand.

In late 1980, Wrights Canadian Ropes of Vancouver, B.C. was acquired and during the second quarter of 1981, 80% of the outstanding shares of Florida Wire and Cable of Jacksonville, Florida were acquired. The purchase agreement for Florida Wire and Cable enables your Company to acquire the remainder of the shares over a five year period on a predetermined basis.

Wright's specializes in the manufacture of high quality wire ropes. It has been a long established leader in its field while serving the west coast and the western provinces of Canada. It is an important supplier of high quality wire ropes to the forestry, marine, mining, oil drilling and construction industries.

The design and manufacture of wire ropes is a highly technical field. The product's integrity is vital. It starts with high carbon steel wire which has been monitored, tested, and recorded through every phase of its production — starting with the metallurgy of the steelmaking heat and continuing through the rolling of rods and the drawing of wire.

Depending on application, a complicated pattern of high carbon steel wires, in a variety of geometric arrangements, are formed into a strand. In a second step, a number of strands are then laid helically around a central core which can be composed of fibre, plastic or even a small diameter wire rope.

Wright's' customers comprise a service intensive industry and the Company is highly regarded as an engineering and service leader in its area of operation.

Wright's has undertaken an expansion which will be completed in 1982 and will include an addition to the existing building and the installation of modern productive equipment. This equipment will produce ropes in diameters larger than those previously produced by Wright's.

Another of your Company's producers of high carbon wire products is Florida Wire and Cable which through its two manufacturing facilities is the largest manufacturer in the U.S. of steel strand for the prestressed concrete industry. Its main plant is at Jacksonville, Florida and in recent years it expanded by building a second plant at Sanderson, Florida, some 40 miles away. The Jacksonville plant will add new stranders during the year and the Sanderson plant will add a new wire drawing and stress relieving line.

About 70% of Florida Wire and Cable's production goes into prestressed and post-stressed concrete structures. Products include both stress-relieved and low-relaxation strand which must meet rigid engineering standards including tensile strength in excess of 270,000 PSI.

Among Florida Wire and Cable's other products are the steel strand and wire tendons, up to 600 feet in length, used for the post-tensioning of nuclear containment vessels and heavily galvanized wire and strand used as cores in overhead aluminum conductors and also acting as structural members.

Market outlook for the future is encouraging. The Company has increased sales by some 300% during the past eight years and considerable future opportunities have been identified.



TOP:
A high speed wire rope production line.

RIGHT:
Wire rope coming off the capstan section of a closing machine onto a master reel.





Precision Machined Components, Axles and Forgings

1981 was an important year for the precision machined components, axles and forgings group.

Late in 1980 Ingersoll Machine and Tool (IMT) moved its entire operation into a modern new plant. However, even before the new plant was fully operational it was already preparing for expansion to accommodate production for a large scale, long term Government of Canada defence materials supply agreement. The agreement provides for a period of at least 10 years, that IMT will be the exclusive source for Canada of all large calibre artillery projectiles having a diameter over 30 mm. This will result in sales in excess of \$150 million over the minimum life of the agreement.

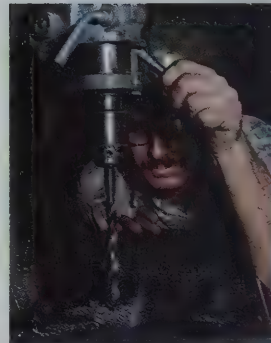
A prime condition of the agreement is the provision of Canadian forging facilities in order to ensure that Canada be self-sufficient in the field of National Defence. As announced in last year's annual report, IMT has acquired P.C. Drop Forgings of Port Colborne, Ontario and is now able to secure its forgings from within its own organization not only for defence purposes but also for its regular commercial production. Also, as a result of the agreement, IMT embarked upon a major expansion program to augment both forging and machining capabilities at the Port Colborne and Ingersoll plants. The expansion should be completed by December 1982. Deliveries against the contract have already commenced and will build up to rated volume by early 1983.

IMT's traditional business has been the machining and assembly of precision parts for the transportation, agricultural, and similar industries. It is one of the largest suppliers in North America of heavy duty tractor trailer steering axles which are mandatory in certain provinces and states for vehicles over specific weights.

Steering axles complement the major axle product line, which is for the highway trailer market. IMT produces axles with load bearing capacities up to 60,000 lbs. and is the largest Canadian supplier to the "mass" 20,000 - 25,000 lb. capacity market.

Among the major precision components are coolant pumps for diesel engines, steering parts for tractors, and spring suspension parts for trucks. IMT is a major exporter of these components.

A number of expansion and modernization projects were begun in 1981. These projects include a new building and 12 major pieces of new equipment of which several are numerically computer controlled. During the current year, additional induction heating and heat treatment capacity will be added.



*TOP:
A typical small machining operation.*

*RIGHT:
A tooling turret on a numerically controlled lathe.*





Pre-engineered Metal Buildings

Atlantic Building Systems is one of the leading U.S. producers of pre-engineered metal buildings which it manufactures at two modern plants. They are located at Tallapoosa, Georgia and Hannibal, Missouri and are thus strategically located to ship economically into most areas of the U.S.

The main product is a building system which combines computerized design of components; an almost limitless flexibility of building size, type and esthetics; as well as the economics of factory pre-fabrication. These advantages over conventional construction have made the pre-engineered building industry the fastest growing segment of the low-rise, non-residential construction market in North America.

Atlantic's pre-engineered structures offer a remarkably wide variety of benefits. They are quickly and easily constructed. They lend themselves readily to custom exteriors and require little maintenance and, perhaps most importantly, they are dramatically cost effective when compared to other construction techniques.

Pre-engineered, pre-fabricated metal buildings are predominantly used for factories, warehouses, recreational facilities, retail stores, shopping centers, offices, aircraft hangars and agricultural structures.

The pre-engineered building industry is a large consumer of hot rolled flats, some small structural steel angles, hot rolled bars, high strength cables, high strength fasteners, and other products made by members of the Ivaco Group.

Atlantic Building Systems has successfully developed a complex computerized engineering and drafting system which makes it possible to analyse and design custom buildings. The application of computer technology produces design solutions to meet the desired cost and performance characteristics specified by the customer. The system not only identifies standard components quickly, it also copes with the multitude of variables such as local building codes and energy criteria. It rapidly and accurately produces the necessary drawings from this data. Additionally, more than 15,000 standard combinations of widths, heights and loads are offered.

One major innovation introduced recently by Atlantic Building Systems is an advanced technology standing seam roof system known as AR-6000. The AR-6000 is designed to float with the expansion and contraction caused by normal fluctuations in temperature. Thus, the roof maintains its superior energy efficiency, weather-tightness and low maintenance characteristics and is superior in performance to built-up roofs.

The Company has designed and manufactured a number of extremely large buildings exceeding the one million sq. ft. range.



TOP:

Aircraft hangars are a large and logical market for pre-engineered metal buildings.

RIGHT:

A typical Atlantic Building Systems' pre-engineered, pre-fabricated metal building.





Paper Machine Clothing

1981 was a record year for the paper machine clothing division for both sales and earnings.

Sales volumes were strong in both Canada and the United States for forming fabrics and wet felts, and substantial gains continued to be made in export markets. Export sales have grown some 500% in the past five years and steps are being taken to expand selling capability to new markets. Export sales are targeted to increase by 300% to 400% over the next five years.

Your Company is a leading designer, manufacturer, and supplier of the high technology fabrics and felts which are key elements on modern paper machines.

Each item of clothing is engineered specifically for an individual paper machine. Changes in paper machine running speeds or other modifications to the machine can require some "fine tuning" to the design of the clothing. As paper makers are constantly adjusting their machines to improve either productivity or quality, responsiveness by the clothing designer and manufacturer is a major competitive factor. Niagara Lockport excels at this type of customer service and its manufacturing facilities are capable of supplying fabrics and felts for any paper machine in the world.

There are three basic types of paper machine clothing. One is the forming fabric, sometimes called Fourdrinier fabric. It is an integral part of the first step in paper making. The pulp-water mixture

is deposited on the speeding, flawless endless fabric. It is designed to allow the pulp fibres to interlock or mat while at the same time provide the screen through which the excess water can drain. The second step is accomplished by the wet felt which carries the sheet through its secondary moisture reduction phase, which is a pressing action. The third range of clothing is a series of dryer felts which carry the paper sheet through high temperature drums.

During the year, Niagara Lockport completed the expansion of its wet and dryer felt manufacturing plant at Starkville, Mississippi. It is one of the most modern facilities of its type in the world and now incorporates all of the Company's U.S. manufacturing of felt products.

Niagara Lockport is also expanding its forming fabric manufacturing capacity at Quincy, Florida with the addition of new looms and upgraded R & D facilities and at Warwick, Québec a large scale increase in productive capacity is underway.

Several improved or new products were introduced during the year. These included new double and triple layer wet felts and new press screens.



*TOP:
Setting up a high speed
loom.*

*RIGHT:
Paper machine clothing
being produced on a large
needle loom.*



An Introduction To: Florida Wire and Cable

Florida Wire and Cable (FWC) has specialized in the engineering and manufacture of prime quality tensioning materials since 1958. It is the largest manufacturer in the U.S. of stress-relieved and low-relaxation strand and produces a wider range of strand than any other U.S. supplier.

FWC's basic raw material is high carbon steel rod which is drawn into wire and subjected to frequent quality assurance checks.

The reason for such attention to quality detail is that prestressed strand is critical to the integrity of stressed concrete members. While other wire products are generally subjected to loads of 20% or less, prestressed tendons are always tensioned to 70% and frequently to 80% of ultimate breaking strength.

The main plant is located at Jacksonville, Florida and because of the significant growth achieved during the past eight years, a second plant was completed recently at nearby Sanderson, Florida. At the time it was designed plans were made to allow for a doubling of capacity when needed. This doubling of capacity is now underway.

The basic product for both plants is multi-wire strand. This is made by feeding individual wires from spools within a rotor to a forming die located at the point of twist. Stranding machines have been engineered and built to FWC's proprietary standards and each machine produces a full 7,000 lb. coil of 7-wire strand in one loading without any welding of wires.

The process of cold drawing of wire, and subsequent stranding, sets up stresses in the strand which, if not corrected, could limit the use of the product. Stress relieving, therefore, is the final stage of the manufacturing process and increases the working range of the product and provides greater economy in its use.

Stress relieving is accomplished by pulling a strand or a wire at a strictly controlled rate of speed through a heat transfer medium which is controlled to variations within 10°F. Three methods are used to accomplish this: induction heating, gas fired furnaces, and molten lead.

A variation of the process, and for some users an improvement on it, is low-relaxation strand. FWC's trade-marked "Lo-Lax" goes through all the steps of normal strand processing. Additionally, however, it is simultaneously tensioned while it is at the elevated temperature used in stress relieving. The result is a permanent elongation of approximately 1% and an increase in yield strength of 5% compared with regular stress-relieved strand.

A key element in the rapid growth of FWC has been a combination of superb engineering capability combined with a genuine commitment to customer service. Quality of service is a very significant competitive factor incorporating such elements as prompt delivery, availability of special grades, special packaging, and responsiveness of the field engineering staff.

FWC is also adept at spotting opportunities in related areas. It is a major seller of wire stranding technology and tendons for nuclear reactor structures and currently, its wholly-owned subsidiary Flo-Lube Inc., is undergoing start-up for the production of powdered stearite lubricants. These products are used in large quantities by wire drawers.



TOP:
A take-up reel for low-relaxation strand.

RIGHT:
High carbon wire strand ready for shipment.



An Introduction To: P.C. Drop Forgings

P.C. Drop Forgings of Port Colborne, Ontario became a part of the Ivaco Group in February of 1981. It is operated as a wholly-owned subsidiary of Ingersoll Machine and Tool (IMT) and provides high quality forgings, not only to IMT but also to a number of other major industries. It forms a key part of the long term defence supply agreement, discussed elsewhere in this report, since the provision of forging facilities was a condition of the agreement.

P.C. Drop Forgings was founded some 10 years ago and has developed an enviable reputation for quality products. It has both closed die and upset forgings facilities and is strategically located within the core of Canada's heavy industry corridor.

The Company's closed die and upset forgings capability has made it a major supplier of quality forgings to the manufacturers of trucks, off-highway vehicles, diesel engines, and agricultural and industrial machinery builders. The present equipment has the capacity of making forgings up to a weight of 150 lbs.

As a result of the contract between IMT and the Government of Canada, a major expansion program was initiated early in 1981 and is scheduled for completion by late 1982. This expansion program will have a total cost of more than \$5 million. It will consist of the most modern and the largest upset forging equipment in Canada including a 9" upsetter and a 6" upsetter together with the most modern induction units for heating of steel billets.

While the new equipment has been scheduled specifically to provide highly efficient production of forgings to be machined by IMT under the defence products agreement, it also has been selected for its ability to open new commercial markets for P.C. Drop Forgings. Several new product opportunities have already been identified.

P.C. Drop Forgings extends your Company's capacity to increase the breadth of its manufacturing of steel products. It is an important and valued addition to the Ivaco Group.



TOP:
Hot steel is positioned under the hammer.

RIGHT:
Newly forged steel blanks after trimming.



Consolidated Balance Sheet

As at December 31, 1981

		Thousands of dollars	
Assets		1981	1980
Current	Accounts receivable	\$ 84,136	\$ 75,901
	Inventories		
	Finished and semi-finished	115,329	83,589
	Raw materials and supplies	132,235	111,880
		247,564	195,469
	Prepaid expenses	3,801	2,352
	Total current assets	335,501	273,722
Investment in non-consolidated companies at equity (Note 2)		26,072	23,391
Fixed	Land	5,357	4,522
	Buildings	80,575	70,401
	Machinery and equipment	372,531	309,905
		458,463	384,828
	Less accumulated depreciation	129,080	114,727
	Total fixed assets	329,383	270,101
Other assets (Note 3)		15,346	5,466
Total assets		\$706,302	\$572,680

On behalf of the Board of Directors

Isin Ivanier, Director

Paul Ivanier, Director

Thousands of dollars

Liabilities		1981	1980
Current	Bank indebtedness, partly secured	\$106,942	\$ 33,463
	Accounts payable and accrued liabilities		
	Trade and other	86,470	85,926
	Directors	2,086	3,414
	Current maturities of long-term liabilities	19,326	12,791
	Current portion of deferred income taxes	8,882	8,273
	Total current liabilities	223,706	143,867
Long-term liabilities (Note 4)		207,319	187,473
Deferred income taxes		65,024	52,071
Minority interest		3,970	1,444
Shareholders' Equity			
	Capital stock (Note 5)	60,616	61,162
	Retained earnings (Note 6)	145,667	126,663
	Total shareholders' equity	206,283	187,825
	Total liabilities and shareholders' equity	\$706,302	\$572,680

Consolidated Statement of Earnings

For the year ended December 31, 1981

	Thousands of dollars	
	1981	1980
Net sales	\$718,266	\$621,855
Cost of sales and operating expenses	621,893	541,032
Depreciation and amortization	19,557	14,948
Interest on long-term liabilities	28,547	18,285
Other interest	17,113	7,684
Share of net earnings of non-consolidated companies	(2,658)	(804)
	684,452	581,145
Earnings before income taxes and extraordinary gain	33,814	40,710
Provision for income taxes		
Current	870	2,018
Deferred	7,702	10,384
	8,572	12,402
Net earnings before extraordinary gain	25,242	28,308
Extraordinary gain on expropriation of property after deducting income taxes of \$1,200 thousand	3,111	—
Net earnings	\$ 28,353	\$ 28,308
Net earnings per common share before extraordinary gain	\$2.29	\$2.73
Net earnings per common share after extraordinary gain	\$2.62	\$2.73

Consolidated Statement of Retained Earnings

For the year ended December 31, 1981

	Thousands of dollars	
	1981	1980
Balance at beginning of year	\$126,663	\$107,462
Net earnings	28,353	28,308
	155,016	135,770
Deduct		
Preferred dividends	3,066	2,113
Common dividends including stock dividends payable in subordinated preferred shares of which \$1,280 thousand were issued in 1981 and redeemed in 1982 (\$1,315 thousand issued in 1980 and redeemed in 1981)	6,283	6,243
Costs relating to issue of Series D preferred shares	—	751
	9,349	9,107
Balance at end of year	\$145,667	\$126,663

Consolidated Statement of Changes in Financial Position

For the year ended December 31, 1981

		Thousands of dollars	
		1981	1980
Sources of working capital	Operations		
	Net earnings before extraordinary gain	\$ 25,242	\$ 28,308
	Depreciation and amortization	19,557	14,948
	Deferred income taxes	12,007	10,981
	Other items	(3,352)	(637)
	Total from operations	53,454	53,600
	Extraordinary gain on expropriation of property	3,111	—
	Issue of capital stock	176	18,166
	Net increase in long-term liabilities	13,360	43,965
	Working capital of subsidiaries at dates of acquisition	9,439	3,193
	Total sources of working capital	79,540	118,924
Uses of working capital	Acquisition of shares of subsidiaries	15,804	6,191
	Increase in investments	—	15,531
	Net additions to fixed assets	60,809	64,160
	Dividends		
	Preferred	3,066	2,113
	Common	5,003	4,928
	Redemption of subordinated preferred shares issued as stock dividends	1,315	2,106
	Other items	11,603	4,374
	Total uses of working capital	97,600	99,403
	(Decrease) increase in working capital	(18,060)	19,521
	Working capital at beginning of year	129,855	110,334
	Working capital at end of year	\$111,795	\$129,855

Notes to Consolidated Financial Statements

December 31, 1981

1. Significant accounting policies

The Company follows generally accepted accounting principles in the preparation of its consolidated financial statements which were applied on a basis consistent with the preceding year.

Basis of consolidation

The consolidated financial statements include the accounts of Ivaco Inc. and its operating subsidiaries. The excess of cost over net assets at the dates of acquisition is allocated to fixed assets and is being depreciated over the estimated useful lives of the respective fixed assets. Investments in companies in which Ivaco has a 20% to 50% ownership interest and investments in non-operating subsidiaries are carried on the equity method of accounting. The differences between the underlying book value of net assets at the dates of acquisition and the purchase price is being amortized over the estimated useful lives of the investees' fixed assets.

Foreign exchange

Assets and liabilities in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the balance sheet date for working capital items and at approximate exchange rates prevailing at the transaction dates for non-current assets and liabilities. Income and expenses other than depreciation and amortization are translated at average exchange rates prevailing during the year; depreciation and amortization are translated at historic exchange rates. Gains and losses on translation are included in the determination of earnings except those resulting from translation of working capital of U.S. subsidiaries. Unrealized gains and losses on translation of working capital of U.S. subsidiaries are deferred.

Inventories

Inventories are stated at the lower of cost (determined substantially on the first-in, first-out method) and net realizable value.

Fixed assets and depreciation

Fixed assets are stated at cost after deducting related government grants. Interest costs related to major capital expenditures are capitalized during the period of construction. Depreciation is computed on the straight-line method over the following estimated useful lives:

Buildings	40 years
Steelmaking and rolling mill equipment	25 years
Manufacturing equipment	15 years

Deferred preproduction costs

Certain costs relating to the start-up of new facilities or major plant additions, incurred prior to the commencement of commercial production, are deferred and amortized over periods of up to five years.

2. Investment in non-consolidated companies at equity

Thousands of dollars			
	Laclede Steel Company	Others	Total
Carrying value of investments, December 31, 1980	\$19,497	\$3,894	\$23,391
Increase in investments	—	23	23
Share of net earnings	2,370	288	2,658
Carrying value of investments, December 31, 1981	\$21,867	\$4,205	\$26,072
Share of equity, December 31, 1981	\$29,754	\$2,965	\$32,719

3. Other Assets

Thousands of dollars		
	1981	1980
Deferred preproduction costs and other deferred charges, less amortization	\$11,899	\$4,231
Other items	3,447	1,235
Total other assets	\$15,346	\$5,466

4. Long-term liabilities

Thousands of dollars		
	1981	1980
Secured		
Debentures payable in varying installments to 1993		
Series A at 9¼% (\$24.1 million U.S.)	\$ 28,509	\$ 28,861
Series B at 10%	19,400	19,600
Notes (10.875%) payable in increasing annual installments to 1995 (\$6.1 million U.S.)	7,104	7,608
Industrial Revenue Bonds (principally at 7.5%) payable in increasing annual installments to 2000 (\$6.5 million U.S.)	7,726	4,092
Bank loan (Prime) payable in annual installments to 1986	1,575	—
Mortgages (7% to 10.625%) payable in varying monthly installments to 2000	6,332	6,646
Unsecured		
Bank loans (107.5% of U.S. Prime) payable in varying installments to 1987 (\$64.1 million U.S.)	74,908	82,091
Bank loan (Prime plus ½%) payable in varying annual installments from 1984 to 1986	6,200	6,200
Bank loan (U.S. Prime plus ½%) payable in varying installments from 1984 to 1986 (\$10 million U.S.)	12,030	—
Bank loan (Prime) payable in annual installments from 1984 to 1986	3,300	—
Bank loan (10¾%) payable in quarterly installments to 1984 (\$2 million U.S.)	2,344	—
Notes (principally at 8.125%) payable in increasing annual installments to 1995 (\$28.5 million U.S.)	33,335	30,990
Deferred accounts payable (principally at 13.2%), of which \$13.3 million are in U.S. funds, payable in varying installments to 1986	19,446	11,138
Other	4,436	3,038
	226,645	200,264
Less current maturities	19,326	12,791
Total long-term liabilities	\$207,319	\$187,473

Required payments over the next five years are:

\$19.3 million in 1982; \$22.9 million in 1983; \$29.8 million in 1984; \$27.2 million in 1985; and \$36.5 million in 1986.

5. Capital stock

Authorized

An unlimited number of common shares, preferred shares issuable in series and subordinated non-voting preferred shares, all without par value.

Issued and outstanding

	Number of shares		Thousands of dollars	
	1981	1980	1981	1980
Common shares	9,670,212	9,649,562	\$27,448	\$27,272
Cumulative redeemable preferred shares				
\$4.425 Series C	279,550	291,500	13,978	14,575
\$2.50 Series D	716,400	720,000	17,910	18,000
Subordinated preferred shares	127,977	131,550	1,280	1,315
Total capital stock			\$60,616	\$61,162

Preferred shares

Series C

The Series C, preferred shares are non-voting and rank equally with the Series D, preferred shares and may be purchased by the Company on the open market at prices not exceeding \$53 per share prior to July 1, 1982 and thereafter at prices not exceeding the applicable redemption price. Also, the Company will make all reasonable efforts to purchase 3,000 shares for cancellation on the open market in each calendar quarter at prices not exceeding \$50 per share. During the year, the Company purchased and cancelled 11,950 shares. The Series C, preferred shares may be redeemed on or after July 1, 1982 at a premium of \$3 per share in the first year decreasing by \$0.375 for each year commencing thereafter up to and including July 1, 1990, and thereafter without premium.

Series D

The Series D, preferred shares are non-voting and rank equally with the Series C, preferred shares and may be purchased by the Company on the open market at prices not exceeding \$26.50 per share prior to October 1, 1987 and thereafter at prices not exceeding the applicable redemption price. Also, the Company will make all reasonable efforts to purchase 3,600 shares for cancellation on the open market in each calendar quarter during the period from October 1, 1981 to September 30, 1986 at prices not exceeding \$25 per share and 7,200 shares for each quarter thereafter. During the year, the Company purchased and cancelled 3,600 shares. The Series D, preferred shares may be redeemed on or after October 1, 1986 at a premium of \$1.50 per share in the first year, decreasing by \$0.25 for each year commencing thereafter up to and including October 1, 1992 and thereafter without premium. On October 1, 1986 the Company will purchase for redemption, at the option of each holder, at \$25 per share, 360,000 shares less the number of shares previously redeemed or purchased and on October 1, 1992 the Company will purchase all other shares tendered at \$25 per share.

Subordinated preferred shares

The subordinated preferred shares are non-voting, redeemable at issue price and rank after the Series C and Series D preferred shares, and ahead of the common shares in respect of non-cumulative dividends of \$0.50 per share.

5. Capital Stock (continued)*Employees' stock option plan*

During the year 20,650 common shares were issued for \$176 thousand under the employees' stock option plan. At December 31, 1981 options for 223,500 common shares were outstanding at prices varying from \$8.50 to \$23.40 per share and an additional 15,600 common shares were reserved for issue.

6. Retained earnings

Under the terms of the Company's Secured Debentures certain payments, principally cash dividends on common shares, are limited to a certain amount of retained earnings. At December 31, 1981 the Company had approximately \$36 million of retained earnings available for such payments.

7. Acquisitions**P. C. Drop Forgings Limited**

In February 1981, the Company purchased all of the outstanding common shares of P. C. Drop Forgings Limited of Port Colborne, Ontario for cash. The cost of acquisition was \$1.4 million.

Florida Wire and Cable Company

In May 1981, the Company purchased 80% of the common shares of Florida Wire and Cable Company of Jacksonville, Florida for \$14.4 million cash. Under the terms of the purchase agreement ownership can be increased to 100% over a five year period according to a predetermined formula.

Both of these acquisitions have been accounted for by the purchase method of accounting. Accordingly, the consolidated financial statements include the results of their operations since their respective dates of acquisition.

Summarized below are the assets and liabilities of the aforementioned companies at their respective dates of acquisition.

	Thousands of dollars
Current assets	\$17,625
Current liabilities	8,186
Working capital	9,439
Net fixed assets	16,030
Investments and other assets	365
Deferred income taxes	(946)
Long-term liabilities	(9,084)
Total acquisition cost	\$15,804

8. Pensions

The Company and its subsidiaries have pension plans covering a majority of employees. Pension expense in 1981 of \$8.3 million (1980 — \$7.1 million) includes amortization of past service costs over periods of 15 to 40 years.

The actuarially computed value of vested benefits as of the dates of the most recent actuarial studies exceeded the market value of pension fund assets and balance sheet accruals at those dates by approximately \$25 million (1980 — \$34 million).

9. Directors' and officers' remuneration

The Company has nine directors and nine officers. The remuneration paid to the directors and officers was \$10 thousand and \$1,408 thousand, respectively. Six of the officers are also directors.

10. Transactions with related parties

From time to time the Company borrows short-term funds from directors who are senior officers of the Company and makes drawings available to them, all at prime interest rates. At no time have drawings by these persons exceeded the short-term funds loaned by them to the Company.

11. Segmented information

The Company operates as an integrated steel producer and manufacturer of a wide variety of steel products which is its principal line of business and dominant segment. Manufacturing operations are located in Canada and in the United States and produce similar products from raw materials of which a substantial portion is supplied by the Company's steel mills in both countries. Transfers between geographic segments are made at fair market value. Canadian sales to outside customers include export sales in 1981 of \$148 million (1980 — \$124 million) primarily to customers in the United States. Highlighted below is a breakdown of net sales, operating profit and identifiable assets by geographic segment.

Thousands of dollars								
	1981				1980			
	Canada	U.S.A.	Eliminations	Consolidated	Canada	U.S.A.	Eliminations	Consolidated
Net sales								
Outside customers	\$294,686	\$423,580	\$ —	\$718,266	\$239,244	\$382,611	\$ —	\$621,855
Intersegment exports	64,305	2,777	(67,082)	—	68,445	1,912	(70,357)	—
Total sales	\$358,991	\$426,357	\$(67,082)	\$718,266	\$307,689	\$384,523	\$(70,357)	\$621,855
Operating profit								
Outside customers	\$ 55,821	\$ 13,438		\$ 69,259	\$ 44,377	\$ 10,412		\$ 54,789
Intersegment exports	7,220	337		7,557	10,920	166		11,086
Total operating profit	\$ 63,041	\$ 13,775		76,816	\$ 55,297	\$ 10,578		65,875
Interest expense				(45,660)				(25,969)
Share of net earnings of non-consolidated companies				2,658				804
Earnings before income taxes and extraordinary gain				33,814				40,710
Income taxes				(8,572)				(12,402)
Net earnings before extraordinary gain				25,242				28,308
Extraordinary gain				3,111				—
Net earnings				\$ 28,353				\$ 28,308
Assets identifiable by segment	\$402,859	\$311,797	\$(34,426)	\$680,230	\$323,169	\$249,837	\$(23,717)	\$549,289
Investment in non-consolidated companies				26,072				23,391
Total assets				\$706,302				\$572,680

Auditors' Report

The Shareholders,
Ivaco Inc.

We have examined the consolidated balance sheet of Ivaco Inc. as at December 31, 1981 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1981 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Touche Ross & Co.
Chartered Accountants

Montréal, Québec,
February 26, 1982.

Financial Summary

Millions of dollars except per share amounts

Operating Results		1981	1980	1979
	Net sales	\$718.3	621.9	495.4
	Depreciation and amortization	\$ 19.6	14.9	11.4
	Earnings before income taxes	\$ 33.8	40.7	68.1
	Provision for income taxes	\$ 8.6	12.4	25.4
	Net earnings before extraordinary item	\$ 25.2	28.3	42.7
	Net earnings	\$ 28.4	28.3	42.7
	Net earnings			
	Per common share before extraordinary item	\$ 2.29	2.73	4.40
	Per common share after extraordinary item	\$ 2.62	2.73	4.40
	Return on sales	% 4.0	4.6	8.6
Financial Position		1981	1980	1979
	Current assets	\$335.5	273.7	257.3
	Current liabilities	\$223.7	143.8	147.0
	Working capital	\$111.8	129.9	110.3
	Net additions to fixed assets	\$ 60.8	64.1	34.3
	Total assets	\$706.3	572.7	483.7
	Long-term liabilities	\$207.3	187.5	143.2
	Shareholders' equity	\$206.3	187.8	151.7
	Dividends	\$ 9.3	8.4	7.9
	Book value per common share	\$17.90	15.95	13.95

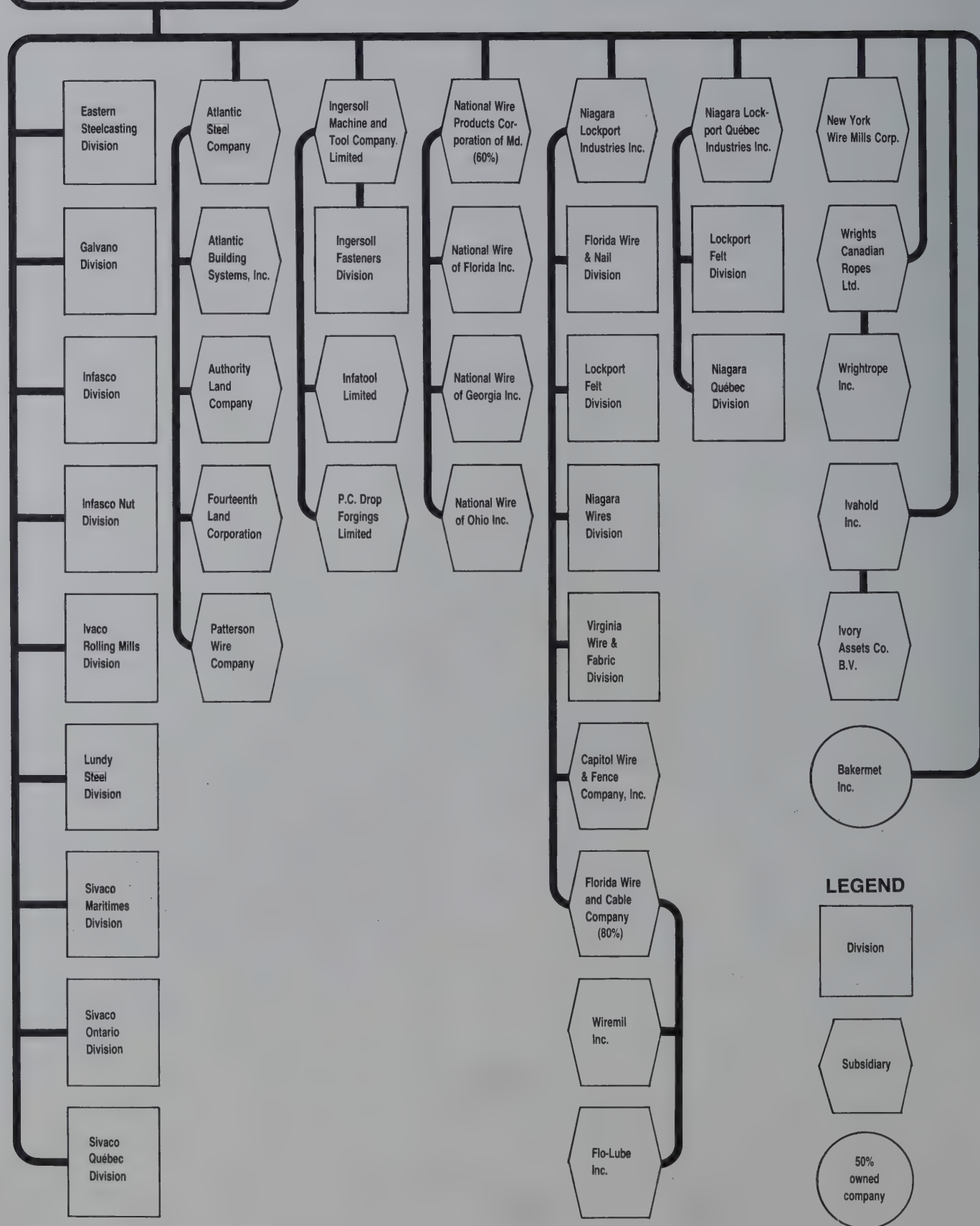
1978	1977	1976	1975	1974	1973	1972	1971	1970	1969
265.9	166.8	136.0	103.0	150.7	90.2	53.9	43.2	27.6	11.0
8.0	6.8	6.1	3.6	3.3	2.4	1.5	1.2	0.7	0.3
40.7	14.4	7.0	6.2	36.9	13.9	8.7	7.4	4.5	2.1
16.7	4.6	1.6	1.7	16.5	5.8	4.1	3.7	2.3	1.1
24.0	9.8	5.4	4.5	20.4	8.1	4.6	3.7	2.2	1.0
24.0	9.8	5.4	5.4	20.4	8.1	4.6	3.7	2.1	1.0
2.44	0.99	0.58	0.48	2.37	0.98	0.61	0.52	0.40	0.25
2.44	0.99	0.58	0.58	2.37	0.98	0.61	0.52	0.39	0.25
9.0	5.9	4.0	4.4	13.6	9.0	8.6	8.5	7.5	9.2

1978	1977	1976	1975	1974	1973	1972	1971	1970	1969
131.2	105.9	100.6	88.6	76.8	44.0	35.3	28.1	12.1	4.3
74.1	69.5	69.5	59.5	45.9	25.6	22.2	18.4	7.4	3.0
57.1	36.4	31.1	29.1	30.9	18.4	13.1	9.7	4.7	1.3
27.6	19.7	7.4	16.0	32.4	14.6	6.9	8.3	2.5	0.9
278.5	224.9	203.5	188.0	160.4	102.9	70.2	52.9	24.5	9.3
58.4	30.8	32.2	33.5	29.8	18.6	14.7	7.2	2.2	2.1
116.8	95.6	74.2	70.8	67.3	48.1	26.5	21.8	8.9	2.6
5.3	2.6	1.9	1.9	1.7	0.4	0.2	0.2	—	—
10.50	8.53	7.82	7.43	7.05	4.89	3.14	2.57	1.66	0.65

Organization Chart

(Subsidiaries 100% owned unless noted otherwise)

IVACO



LEGEND

Division

Subsidiary

50%
owned
company

Directory of Operations

Atlantic Building Systems Inc.

P.O. Box 1108
Hannibal, Missouri 63401
314/221-2715

Pre-engineered metal buildings

Atlantic Building Systems Inc.

Pequanoc Drive
P.O. Box 247
Tallapoosa, Georgia 30170
404/574-2331

Pre-engineered metal buildings
and welded structural tubing

Atlantic Steel Company

1300 Mecaslin N.W.
P.O. Box 1714
Atlanta, Georgia 30301
404/875-3441

Steel billets, reinforcing bars, hot
rolled bars and shapes, hot rolled
wire rods, bright and galvanized
manufacturers' wire, farm fencing,
barbed wire, bale ties, nails and
chain link fencing and accessories

Atlantic Steel Company

P.O. Box 1069
Cartersville, Georgia 30120
404/382-8420

Steel billets, reinforcing bars, hot
rolled bars and shapes

Bakermat Inc.

2555 Sheffield Road
Ottawa, Ontario K1B 3V6
613/745-7006

Processing of scrap metal

Capitol Wire & Fence Company, Inc.

3334 Kenilworth Avenue
Hyattsville, Maryland 20781
301/779-7000

Wire and chain link fencing

Eastern Steelcasting Division

P.O. Box 510
L'Orignal, Ontario K0B 1K0
613/675-4671

Steel billets

Flo-Lube Inc.

2 Wiremil Road
Sanderson, Florida 32087
904/781-9224

Wire drawing lubricants

Florida Wire and Cable Company

825 North Lane Avenue
P.O. Box 6835
Jacksonville, Florida 32205
904/781-9224

High carbon wire and cable

Florida Wire & Nail Division

P.O. Box 816
Quincy, Florida 32351
904/875-1150

Wire and nails

Galvano Division

2620 Bernard Pilon
Beloeil, Québec J3G 4S5
514/464-0547

Electro-galvanizing of fasteners
and nails

Infasco Division

700, rue Ouellette
P.O. Box 970
Marieville, Québec J0L 1J0
514/658-8741

Bolts, nuts and fastener products

Infasco Nut Division

7283 Torbram Road
Mississauga, Ontario L4T 1G8
416/677-8920

Bolts, nuts and fastener products

Infatool Limited

Ingersoll Street
P.O. Box 6
Ingersoll, Ontario N5C 3K1
519/485-4531

Dies and specialty tooling

Ingersoll Fasteners Division

Thomas Street
P.O. Box 68
Ingersoll, Ontario N5C 3K1
519/485-4610
Bolts, nuts and fastener products

Ingersoll Machine and Tool Company, Limited

347 King Street West
P.O. Box 250
Ingersoll, Ontario N5C 3K6
519/485-2210
Precision machined components and axles

Ivaco Rolling Mills Division

P.O. Box 322
L'Orignal, Ontario K0B 1K0
613/675-4671
Hot rolled wire rods

Lundy Steel Division

Forest Street East
Dunnville, Ontario N1A 2X5
416/774-7581
Wire, welded wire fabric, galvanized wire, barbed wire, cold drawn bars, farm and chain link fencing

National Wire of Florida Inc.

1314 - 31st Street
Tampa, Florida 33605
813/248-4134
Wire and welded wire fabric

National Wire of Georgia Inc.

520 Selig Drive
Atlanta, Georgia 30336
404/691-0770
Wire and welded wire fabric

National Wire of Georgia Inc.

U.S. Highway 17 & Birkenhead Road
Savannah, Georgia 31407
912/964-1666
Wire and welded wire fabric

National Wire of Ohio Inc.

832 North Lallendors Road
Toledo, Ohio 43616
419/698-8037
Wire and welded wire fabric

National Wire Products Corporation of Md.

8203 Fischer Rd.
Baltimore, Maryland 21222
301/477-1700
Wire, galvanized wire and welded wire fabric

New York Wire Mills Corp.

3937 River Road
P.O. Box 215
Tonawanda, New York 14150
716/874-5681
Wire, oil-tempered spring wire and nails

Niagara Lockport Industries Inc.

(Lockport Felt Division)
Godfrey Road & Transit Road
Burt, New York 14029
716/778-8511
Paper machine clothing (industrial fabrics)

Niagara Lockport Industries Inc.
(Lockport Felt Division)

Highway 12 West
Starkville, Mississippi 39759
601/323-4064

Paper machine clothing (wet and dryer felts)

Niagara Lockport Industries Inc.
(Niagara Wires Division)

High Bridge Road
P.O. Box 979
Quincy, Florida 32351
904/627-7141

Paper machine clothing (wet end forming fabrics)

Niagara Lockport Québec Industries Inc.

(Lockport Felt Division)
1, boulevard Lee
P.O. Box 420
Warwick, Québec J0A 1M0
819/358-2071

Paper machine clothing (wet and dryer felts)

Niagara Lockport Québec Industries Inc.

(Niagara Québec Division)
2106, rue Bellefeuille
P.O. Box 939
Trois-Rivières, Québec G9A 5K2
819/379-5555

Paper machine clothing (wet end forming fabrics)

Patterson Wire Company

Route 5, Box 251
Covington, Georgia 30209
404/786-9093

Farm fencing, barbed wire and electric fence wire

P.C. Drop Forgings Limited

Reuter Road
P.O. Box 100
Port Colborne, Ontario L3K 5V7
416/834-7211

Steel forgings

Sivaco Maritimes Division

35 Akerley Boulevard
Dartmouth, Nova Scotia B3B 1J7
902/469-7412

Wire and nails

Sivaco Ontario Division

390 Thomas Street
P.O. Box 220
Ingersoll, Ontario N5C 3K5
519/485-4150

Wire

Sivaco Québec Division

800, rue Ouellette
P.O. Box 940
Mariville, Québec J0L 1J0
514/658-8741

Wire, welded wire fabric, galvanized wire and nails

Virginia Wire & Fabric Division

615 Falmouth Street
Warrenton, Virginia 22186
703/347-2741

Wire, welded wire fabric and nails

Wiremil Inc.

1 Wiremil Road
Sanderson, Florida 32087
904/781-9224

High carbon wire and cable

Wrights Canadian Ropes Ltd.

2551 #6 Road
Richmond, British Columbia V6V 1P3
604/273-4941

Wire ropes and cables



800, rue Ouellette, Mariville
Québec, Canada J0L 1J0